

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Eddyville-Blakesburg Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2005 election)</b>		
Cindy Donohue	President	2005
David Friedman	Vice President	2005
Lawrence Smith	Board Member	2005
Ray Morrison	Board Member	2006
Joleen Smith	Board Member	2006
Debra Bahr	Board Member	2007
Betty Voss	Board Member	2007
<b>Board of Education</b>		
<b>(After September 2005 election)</b>		
Ed Glenn	President	2008
Betty Voss	Vice President	2007
Ray Morrison	Board Member	2006
Joleen Smith	Board Member	2006
Debra Bahr	Board Member	2007
Lawrence Smith	Board Member	2008
Matthew Huber	Board Member	2008
<b>School Officials</b>		
Dr. Dean Cook	Superintendent	2006
Toni Cameron	District Secretary/ Treasurer (Resigned)	2006
Susan Bayer	District Secretary/ Treasurer (Appointed)	2006
Richard Gaumer	Attorney	2006

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Eddyville-Blakesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District, Eddyville, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

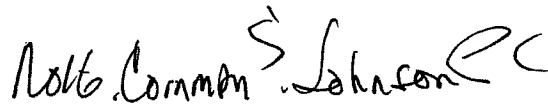
In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2006 on our consideration of Eddyville-Blakesburg Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eddyville-Blakesburg Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson, P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

November 28, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Eddyville-Blakesburg Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,855,398 in fiscal 2005 to \$7,452,689 in fiscal 2006, while General Fund expenditures increased from \$6,885,363 in fiscal 2005 to \$6,986,240 in fiscal 2006. The District also transferred \$133,286 to the Building and Trades fund. This resulted in an increase in the District's General Fund balance from \$368,961 in fiscal 2005 to a balance of \$702,124 in fiscal 2006, a 90.3% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in property tax and tuition in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Eddyville-Blakesburg Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Eddyville-Blakesburg Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Eddyville-Blakesburg Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Eddyville-Blakesburg Community School District Annual Financial Report**

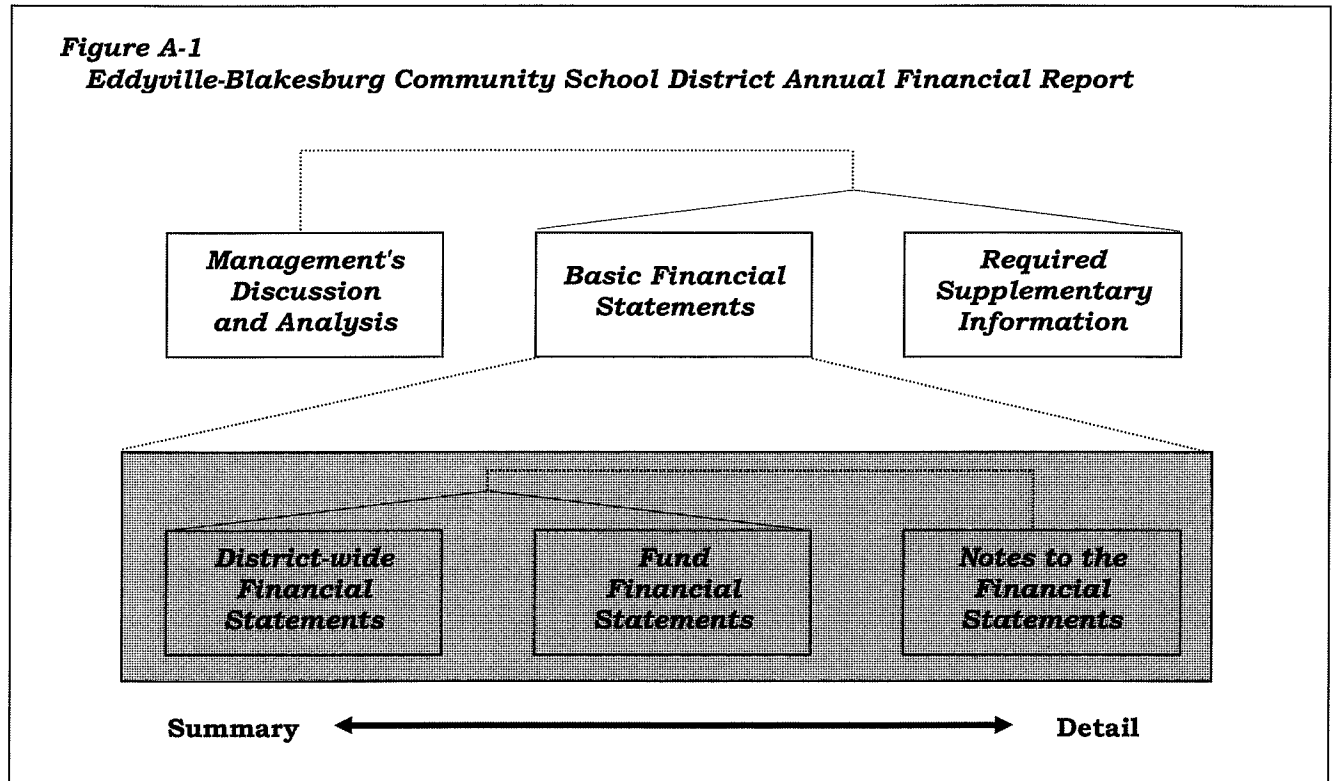


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



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The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Child Care Fund and the Building and Trades Fund. The District also has an Internal Service Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2006, compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 6,853,701	5,623,607	10,192	57,136	6,863,893	5,680,743	20.83%
Capital assets	4,404,887	4,556,814	25,513	17,628	4,430,400	4,574,442	-3.15%
Total assets	11,258,588	10,180,421	35,705	74,764	11,294,293	10,255,185	10.13%
Long-term obligations	531,931	713,377	0	0	531,931	713,377	-25.43%
Other liabilities	4,351,013	4,227,483	55,968	194,989	4,406,981	4,422,472	-0.35%
Total liabilities	4,882,944	4,940,860	55,968	194,989	4,938,912	5,135,849	-3.83%
Net assets:							
Invested in capital assets, net of related debt	4,404,887	4,556,814	25,513	29,558	4,430,400	4,586,372	-3.40%
Restricted	1,243,901	688,326	0	0	1,243,901	688,326	80.71%
Unrestricted	726,856	(5,579)	(45,776)	(147,304)	681,080	(152,883)	545.49%
Total net assets	\$ 6,375,644	5,239,561	(20,263)	(117,746)	6,355,381	5,121,815	24.08%

The District's combined net assets increased by over 24% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 81% over the prior year. The increase was primarily a result of the increase in the Capital Projects fund balance from prior year.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 545% over the prior year.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 1,142,173	1,289,895	615,031	440,747	1,757,204	1,730,642	1.53%
Operating grants and contributions and restricted interest	851,104	786,004	156,670	199,468	1,007,774	985,472	2.26%
General revenues:							
Property tax	3,830,340	3,280,864	0	0	3,830,340	3,280,864	16.75%
Local option sales and service tax	476,912	471,366	0	0	476,912	471,366	1.18%
Unrestricted state grants	2,315,748	2,351,731	0	0	2,315,748	2,351,731	-1.53%
Transfers	(133,286)	0	133,286	0	0	0	0.00%
Other	105,584	8,020	143	93	105,727	8,113	1203.18%
Total revenues	8,588,575	8,187,880	905,130	640,308	9,493,705	8,828,188	7.54%
Program expenses:							
Governmental activities:							
Instructional	4,762,729	5,022,639	0	0	4,762,729	5,022,639	-5.17%
Support services	2,235,767	2,278,172	0	0	2,235,767	2,278,172	-1.86%
Non-instructional programs	0	11,574	807,647	689,373	807,647	700,947	15.22%
Other expenses	453,996	417,161	0	0	453,996	417,161	8.83%
Total expenses	7,452,492	7,729,546	807,647	689,373	8,260,139	8,418,919	-1.89%
Change in net assets	1,136,083	458,334	97,483	(49,065)	1,233,566	409,269	201.41%
Net assets beginning of year	5,239,561	4,781,227	(117,746)	(68,681)	5,121,815	4,712,546	8.68%
Net assets end of year	\$ 6,375,644	5,239,561	(20,263)	(117,746)	6,355,381	5,121,815	24.08%

In fiscal 2006, property tax and unrestricted state grants account for 71.6% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 85.3% of the revenue from business type activities.

The District's total revenues were approximately \$9.5 million of which \$8.6 million was for governmental activities and \$.9 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 7.54% in revenues and a decrease of 1.89% in expenses. The decrease in expenses was related to a decrease in regular instruction costs during the year.

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## Governmental Activities

Revenues for governmental activities were \$8,588,575 and expenses were \$7,452,492.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,762,729	3,001,118
Support services	2,235,767	2,230,635
Other expenses	453,996	227,462
Totals	<u>\$ 7,452,492</u>	<u>5,459,215</u>

- The cost financed by users of the District's programs was \$1,142,173.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$851,104.
- The net cost of governmental activities was financed with \$3,830,340 in property tax, \$476,912 in local option sales and services tax, \$2,315,748 in unrestricted state grants and \$39,171 in interest income.

## Business-Type Activities

Revenues of the District's business-type activities were \$905,130 and expenses were \$807,647. The District's business-type activities include the School Nutrition Fund, Child Care Fund and Building and Trades Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Eddyville-Blakesburg Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,036,937, above last year's ending fund balances of \$1,071,400. However, the primary reason for the increase in combined fund balances in fiscal 2006 is due to the increase in the Capital Projects fund balance by \$476,912.

## Governmental Fund Highlights

- The District's improving General Fund financial position from \$368,961 to \$702,124 is the product of many factors:
  - The increase in negotiated salary and benefits settlement, as well as existing expenditure commitments of the District, resulted in an increase in expenditures.
  - The increase in revenues was due to the increase in local tax and tuition revenues during the year. The increase in expenses was offset by the increase in revenues ensuring the increase in the ending fund balance.

- 
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$169,452 in fiscal 2005 to \$257,474 in fiscal 2006. Compared to the prior year, the District actually received less revenue during the year, but revenues exceeded expenditures to enable the fund balance to increase again.
  - The Capital Projects Fund balance increased from \$339,361 in fiscal 2005 to \$816,273 in fiscal 2006. The District received comparable revenues from last year, however there were no purchases made from this fund. With no expenditures the fund balance was allowed to increase by 141% or \$476,912.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$48,346 at June 30, 2005 to \$22,631 at June 30, 2006, representing a decrease of 53%. The Child Care Fund net assets decreased from a deficit 166,092 at June 30, 2005 to a deficit \$172,367 at June 30, 2006, representing a decrease of 3.8%. The District started a Buildings and Trades Fund during the current year, which had an ending balance of \$129,473.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Eddyville-Blakesburg Community School District amended its annual budget one time to reflect additional expenditures in the instruction, support services and other expenditures functions.

The District's revenues were \$708,510 more than budgeted revenues, a variance of 8%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional function areas due to the timing of expenditures paid at year end without sufficient time to amend the certified budget. The District also exceeded in its general fund unspent authorized budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, the District had invested \$4.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$267,251.

The original cost of the District's capital assets was \$10,840,593. Governmental funds account for \$10,711,912 with the remainder of \$128,681 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The decrease in the machinery and equipment was due to the current year depreciation expense.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 54,747	54,747	0	0	54,747	54,747	0.00%
Buildings	3,838,180	3,918,473	0	0	3,838,180	3,918,473	-2.09%
Improvements other than buildings	437,489	483,395	0	0	437,489	483,395	-10.49%
Machinery and equipment	74,471	100,199	25,513	29,558	99,984	129,757	-29.78%
Total	\$ 4,404,887	4,556,814	25,513	29,558	4,430,400	4,586,372	-3.52%

### Long-Term Debt

At June 30, 2006, the District had \$531,931 in other long-term debt outstanding. This represents a decrease of 34.11% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$531,931 at June 30, 2006.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2006	2005	2005-06
Early Retirement	\$ 531,931	713,377	-34.11%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's October 2006 certified enrollment count declined 69.5 students to 734.8.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2004.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Bayer, Board Secretary, Eddyville-Blakesburg Community School District, 1301 Berdan Street, Eddyville, Iowa, 52553.

## BASIC FINANCIAL STATEMENTS



EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,397,338	0	2,397,338
Receivables:			
Property tax:			
Delinquent	31,510	0	31,510
Succeeding year	3,662,699	0	3,662,699
Income surtax	245,642	0	245,642
Accounts	5,578	31	5,609
Due from other governments	510,934	0	510,934
Inventories	0	10,161	10,161
Capital assets, net of accumulated depreciation(Note 5)	4,404,887	25,513	4,430,400
<b>Total Assets</b>	<b>11,258,588</b>	<b>35,705</b>	<b>11,294,293</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balances	0	12,980	12,980
Accounts payable	59,481	6,597	66,078
Salaries and benefits payable	600,145	32,023	632,168
Deferred revenue:			
Succeeding year property tax	3,662,699	0	3,662,699
Other	28,688	0	28,688
Unearned revenue	0	4,368	4,368
Long-term liabilities(Note 6):			
Portion due within one year:			
Early retirement payable	110,316	0	110,316
Portion due after one year:			
Early retirement payable	421,615	0	421,615
<b>Total Liabilities</b>	<b>4,882,944</b>	<b>55,968</b>	<b>4,938,912</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	4,404,887	25,513	4,430,400
Restricted for:			
Phase III	3,015	0	3,015
Early Intervention	15,172	0	15,172
Salary improvement program	1,906	0	1,906
Capital projects	816,273	0	816,273
Physical plant and equipment levy	257,474	0	257,474
Other special revenue purposes	150,061	0	150,061
Unrestricted	726,856	(45,776)	681,080
<b>Total Net Assets</b>	<b>\$ 6,375,644</b>	<b>(20,263)</b>	<b>6,355,381</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,148,963	785,206	584,004	(1,779,753)	0	(1,779,753)
Special instruction	945,639	161,331	35,615	(748,693)	0	(748,693)
Other instruction	668,127	195,455	0	(472,672)	0	(472,672)
	<u>4,762,729</u>	<u>1,141,992</u>	<u>619,619</u>	<u>(3,001,118)</u>	<u>0</u>	<u>(3,001,118)</u>
Support services:						
Student services	39,497	0	0	(39,497)	0	(39,497)
Instructional staff services	145,281	0	0	(145,281)	0	(145,281)
Administration services	792,819	0	0	(792,819)	0	(792,819)
Operation and maintenance of plant services	653,987	0	0	(653,987)	0	(653,987)
Transportation services	604,183	181	4,951	(599,051)	0	(599,051)
	<u>2,235,767</u>	<u>181</u>	<u>4,951</u>	<u>(2,230,635)</u>	<u>0</u>	<u>(2,230,635)</u>
Other expenditures:						
Facilities acquisitions	38,853	0	0	(38,853)	0	(38,853)
AEA flowthrough	226,534	0	226,534	0	0	0
Depreciation(unallocated)*	188,609	0	0	(188,609)	0	(188,609)
	<u>453,996</u>	<u>0</u>	<u>226,534</u>	<u>(227,462)</u>	<u>0</u>	<u>(227,462)</u>
Total governmental activities	<u>7,452,492</u>	<u>1,142,173</u>	<u>851,104</u>	<u>(5,459,215)</u>	<u>0</u>	<u>(5,459,215)</u>
Business-Type activities:						
Non-instructional programs:						
Nutrition services	413,169	230,641	156,670	0	(25,858)	(25,858)
Child care services	222,333	216,058	0	0	(6,275)	(6,275)
Building and Trades	172,145	168,332	0	0	(3,813)	(3,813)
Total business-type activities	<u>807,647</u>	<u>615,031</u>	<u>156,670</u>	<u>0</u>	<u>(35,946)</u>	<u>(35,946)</u>
Total	<u>\$ 8,260,139</u>	<u>1,757,204</u>	<u>1,007,774</u>	<u>(5,459,215)</u>	<u>(35,946)</u>	<u>(5,495,161)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 3,441,178	0	3,441,178
Capital outlays				389,162	0	389,162
Local option sales and services tax				476,912	0	476,912
Unrestricted state grants				2,315,748	0	2,315,748
Unrestricted investment earnings				39,171	143	39,314
Other				66,413	0	66,413
Transfers				(133,286)	133,286	0
Total general revenues				<u>6,595,298</u>	<u>133,429</u>	<u>6,728,727</u>
Changes in net assets				1,136,083	97,483	1,233,566
Net assets beginning of year				5,239,561	(117,746)	5,121,815
Net assets end of year				<u>\$ 6,375,644</u>	<u>(20,263)</u>	<u>6,355,381</u>

\* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Capital Projects	Other Special Revenue Funds	Total
<b>Assets</b>				
Cash and pooled investments	\$ 929,649	726,980	520,600	2,177,229
Receivables:				
Property tax:				
Delinquent	27,439	0	4,071	31,510
Succeeding year	3,030,127	0	632,572	3,662,699
Income surtax	105,275	0	140,367	245,642
Interfund	24	0	0	24
Accounts	5,578	0	0	5,578
Due from other governments	421,641	89,293	0	510,934
<b>Total Assets</b>	<b>\$ 4,519,733</b>	<b>816,273</b>	<b>1,297,610</b>	<b>6,633,616</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Interfund payable	\$ 0	0	24	24
Accounts payable	54,036	0	5,445	59,481
Salaries and benefits payable	599,483	0	662	600,145
Deferred revenue:				
Succeeding year property tax	3,030,127	0	632,572	3,662,699
Income surtax	105,275	0	140,367	245,642
Other	28,688	0	0	28,688
Total liabilities	3,817,609	0	779,070	4,596,679
Fund balances:				
Reserved for:				
Phase III	3,015	0	0	3,015
Early Intervention	15,172	0	0	15,172
Salary improvement program	1,906	0	0	1,906
Unreserved	682,031	816,273	518,540	2,016,844
Total fund balances	702,124	816,273	518,540	2,036,937
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,519,733</b>	<b>816,273</b>	<b>1,297,610</b>	<b>6,633,616</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

<b>Total fund balances of governmental funds (page 16)</b>	\$ 2,036,937
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.	4,404,887
Accounts receivable income surtax, are not yet available to to finance expenditures of the current period.	245,642
Blending of the Internal Service Funds to be reflected on an entity-wide basis.	220,109
Long-term liabilities, including early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(531,931)
<b>Net assets of governmental activites (page 14)</b>	<u><u>\$ 6,375,644</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Capital Projects	Other Special Revenue Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 3,086,450	476,912	596,871	4,160,233
Tuition	1,091,012	0	0	1,091,012
Other	107,969	0	192,646	300,615
State sources	2,899,986	0	199	2,900,185
Federal sources	266,667	0	0	266,667
Total revenues	7,452,084	476,912	789,716	8,718,712
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular instruction	3,226,081	0	99,901	3,325,982
Special instruction	945,318	0	0	945,318
Other instruction	472,171	0	189,216	661,387
	4,643,570	0	289,117	4,932,687
Support services:				
Student services	37,448	0	0	37,448
Instructional staff services	147,361	0	26,373	173,734
Administration services	767,590	0	118,931	886,521
Operation and maintenance of plant services	627,315	0	41,385	668,700
Transportation services	536,422	0	47,736	584,158
	2,116,136	0	234,425	2,350,561
Non-instructional programs:				
Food service operations	0	0	9,449	9,449
Other expenditures:				
Facilities acquisitions	0	0	101,263	101,263
AEA flowthrough	226,534	0	0	226,534
	226,534	0	101,263	327,797
Total expenditures	6,986,240	0	634,254	7,620,494
Excess of revenues over expenditures	465,844	476,912	155,462	1,098,218
Other financing sources(uses):				
Transfer in	0	0	10,000	10,000
Transfer out	(133,286)	0	(10,000)	(143,286)
Sale of equipment	605	0	0	605
Total other financing sources(uses)	(132,681)	0	0	(132,681)
Net change in fund balances	333,163	476,912	155,462	965,537
Fund balance beginning of year	368,961	339,361	363,078	1,071,400
Fund balance end of year	\$ 702,124	816,273	518,540	2,036,937

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ 965,537

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceed depreciation expense in the current as follows:

Expenditures for capital assets	\$ 111,279	
Depreciation expense	<u>(263,206)</u>	(151,927)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 69,024

Accounts receivable is not available to finance expenditures of the current year period in the governmental funds.

Income surtax	147,019	
28E Sharing agreement	<u>(144,475)</u>	2,544

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	181,446	
ISEBA Assessment	<u>69,459</u>	<u>250,905</u>

Changes in net assets of governmental activities (page 15) \$ 1,136,083

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
<b>Assets</b>					
Current assets:					
Cash and pooled investments	\$ 18,268	0	136,070	154,338	220,109
Accounts receivable	31	0	0	31	0
Inventories	10,161	0	0	10,161	0
Capital assets, net of accumulated depreciation (Note 5)	25,513	0	0	25,513	0
<b>Total Assets</b>	<b>53,973</b>	<b>0</b>	<b>136,070</b>	<b>190,043</b>	<b>220,109</b>
<b>Liabilities</b>					
Excess of warrants issued over bank balance	0	167,318	0	167,318	0
Accounts payable	0	0	6,597	6,597	0
Salaries and benefits payable	26,974	5,049	0	32,023	0
Unearned revenues	4,368	0	0	4,368	0
<b>Total Liabilities</b>	<b>31,342</b>	<b>172,367</b>	<b>6,597</b>	<b>210,306</b>	<b>0</b>
<b>Net Assets</b>					
Investment in capital assets, net of related debt	25,513	0	0	25,513	0
Unrestricted	(2,882)	(172,367)	129,473	(45,776)	220,109
<b>Total Net Assets</b>	<b>\$ 22,631</b>	<b>(172,367)</b>	<b>129,473</b>	<b>(20,263)</b>	<b>220,109</b>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
OPERATING REVENUE:					
Local sources:					
Charges for service	\$ 230,641	216,058	168,332	615,031	780,172
OPERATING EXPENSES:					
Salaries	140,388	134,097	0	274,485	0
Benefits	51,348	38,616	0	89,964	711,740
Services	3,402	1,164	3,475	8,041	0
Supplies	213,986	48,456	168,461	430,903	0
Depreciation	4,045	0	0	4,045	0
Other	0	0	209	209	0
TOTAL OPERATING EXPENSES	413,169	222,333	172,145	807,647	711,740
OPERATING INCOME (LOSS)	(182,528)	(6,275)	(3,813)	(192,616)	68,432
NON-OPERATING REVENUES:					
State sources	4,692	0	0	4,692	0
Federal sources	151,978	0	0	151,978	0
Interest income	143	0	0	143	592
TOTAL NON-OPERATING REVENUES	156,813	0	0	156,813	592
Net income (loss) before other financing sources	(25,715)	(6,275)	(3,813)	(35,803)	69,024
Other financing sources:					
Transfer in	0	0	133,286	133,286	0
Net income (loss)	(25,715)	(6,275)	129,473	97,483	69,024
Net assets beginning of year	48,346	(166,092)	0	(117,746)	151,085
Net assets end of year	\$ 22,631	(172,367)	129,473	(20,263)	220,109

SEE NOTES TO FINANCIAL STATEMENTS.



EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	School Nutrition	Child Care	Building and Trades	Total	
Cash flows from operating activities:					
Cash received from sale of lunches and breakfasts	\$ 233,204	0	0	233,204	0
Cash received from miscellaneous operating activities	31	216,058	168,332	384,421	780,172
Cash payments to employees for services	(190,577)	(174,599)	0	(365,176)	0
Cash payments to suppliers for goods or services	(196,721)	(55,328)	(165,548)	(417,597)	(711,740)
Net cash provided by(used in) operating activities	(154,063)	(13,869)	2,784	(165,148)	68,432
Cash flows from non-capital financing activities:					
Transfer from the General Fund	0	0	133,286	133,286	0
State grants received	4,692	0	0	4,692	0
Federal grants received	135,971	0	0	135,971	0
Net cash provided by non-capital financing activities	140,663	0	133,286	273,949	0
Cash flows from investing activities:					
Interest income	143	0	0	143	592
Net increase(decrease) in cash and cash equivalents	(13,257)	(13,869)	136,070	108,944	69,024
Cash and cash equivalents at beginning of year	31,525	(153,449)	0	(121,924)	151,085
Cash and cash equivalents at end of year	\$ 18,268	(167,318)	136,070	(12,980)	220,109
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:					
Operating income(loss)	\$ (182,528)	(6,275)	(3,813)	(192,616)	68,432
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:					
Commodities consumed	16,007	0	0	16,007	0
Depreciation	4,045	0	0	4,045	0
Decrease in inventories	4,660	0	0	4,660	0
Decrease in accounts receivable	1,308	0	0	1,308	0
(Decrease)increase in accounts payable	0	(5,708)	6,597	889	0
(Decrease)increase in salaries and benefits payable	1,159	(1,886)	0	(727)	0
Increase in unearned revenue	1,286	0	0	1,286	0
Net cash provided by(used in) operating activities	\$ (154,063)	(13,869)	2,784	(165,148)	68,432
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:					
Current assets:					
Cash and investments	\$ 18,268	(167,318)	136,070	(12,980)	220,109

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$16,007.

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 2,176</u>
LIABILITIES	
Due to other groups	<u>\$ 2,176</u>

SEE NOTES TO FINANCIAL STATEMENTS.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**(1) Summary of Significant Accounting Policies**

The Eddyville-Blakesburg Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Eddyville and Blakesburg, Iowa, and the predominate agricultural territory in Wapello, Monroe, Davis and Mahaska Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Eddyville-Blakesburg Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Eddyville-Blakesburg Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wapello, Monroe, Davis and Mahaska Counties Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise funds, School Nutrition Fund, Child Care Fund and Building and Trades Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Child Care Fund is used to account for the day care service operations of the District. The Building and Trades Fund is used to account

for the vocational program which builds different projects. The Internal Service Fund is used to account for partially self-funded health insurance premiums of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements

issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balances

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on

January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable- Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough

thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the non-instructional program function exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment



companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,550</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The certificates of deposit are classified as Category 1, which means the investments are insured or registered in the District's name.

At June 30, 2006, the District had investments in certificates of deposit, stated at fair value, maturing over a year as follows:

	<u>Fair Value</u>
Certificate of deposit	<u>\$ 31,207</u>

### (3) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue, Student Activity	Special Revenue, Expendable Trust	\$ 10,000
Enterprise, Buildings and Trades	General	<u>133,286</u>
Total		<u>\$ 143,286</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Due From and Due to Other Funds

The detail of interfund receivable and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue, Student Activity	\$ 24

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,747	0	0	54,747
Total capital assets not being depreciated	54,747	0	0	54,747
Capital assets being depreciated:				
Buildings	7,072,727	62,410	0	7,135,137
Land improvements	1,280,136	0	0	1,280,136
Machinery and equipment	2,260,563	48,869	67,540	2,241,892
Total capital assets being depreciated	10,613,426	111,279	67,540	10,657,165
Less accumulated depreciation for:				
Buildings	3,154,254	142,703	0	3,296,957
Land improvements	796,741	45,906	0	842,647
Machinery and equipment	2,160,364	74,597	67,540	2,167,421
Total accumulated depreciation	6,111,359	263,206	67,540	6,307,025
Total capital assets being depreciated, net	4,502,067	(151,927)	0	4,350,140
Governmental activities capital assets, net	\$ 4,556,814	(151,927)	0	4,404,887
Business-type activities:				
Machinery and equipment	\$ 128,681	0	0	128,681
Less accumulated depreciation	99,123	4,045	0	103,168
Business-type activities capital assets, net	\$ 29,558	(4,045)	0	25,513

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 9,933
Special	321
Other	6,740

Support services:

Student services	2,049
Instructional staff	7,676
Administration	2,592
Operation and maintenance of plant	595
Transportation	44,691

Unallocated depreciation

Total governmental activities depreciation expense

74,597
188,609
<u>\$ 263,206</u>

Business-type activities:

Food services	\$ 4,045
Total business-type activities depreciation expense	<u>\$ 4,045</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Early Retirement	\$ 713,377	0	181,446	531,931	110,316

Early Retirement

The District offers a voluntary early retirement plan to its Teachers, Teachers Aides, Custodians, Cooks, Secretaries and Bus Drivers. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive cash benefit for each eligible employee is based on a percentage of the employee's current salary. The District also pays an early retirement incentive for a single health insurance policy until the retiree is age sixty-five. Early retirement benefits paid during the year ended June 30, 2006, totaled \$181,446. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report

may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$218,221, \$270,826 and \$236,670 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Eddyville-Blakesburg Community School District is exposed to Various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$226,534 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the non-instructional programs function exceeded the amount budgeted. The District also exceeded its unspent authorized budget for the year ended June 30, 2006.

**(11) Deficit Net Assets**

The Enterprise Fund, School Nutrition and Child Care Funds had deficit net assets at June 30, 2006 of \$2,882 and \$172,367, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,551,860	615,174	6,167,034	5,275,326	5,275,326	891,708
Intermediate sources	0	0	0	140,000	140,000	(140,000)
State sources	2,900,185	4,692	2,904,877	2,906,720	2,906,720	(1,843)
Federal sources	266,667	151,978	418,645	460,000	460,000	(41,355)
Total revenues	8,718,712	771,844	9,490,556	8,782,046	8,782,046	708,510
Expenditures:						
Instruction	4,932,687	0	4,932,687	5,334,600	5,985,600	1,052,913
Support services	2,350,561	0	2,350,561	2,541,500	3,018,500	667,939
Non-instructional programs	9,449	807,647	817,096	1,299,500	621,000	(196,096)
Other expenditures	327,797	0	327,797	314,638	455,138	127,341
Total expenditures	7,620,494	807,647	8,428,141	9,490,238	10,080,238	1,652,097
Excess(deficiency) of revenues over(under) expenditures	1,098,218	(35,803)	1,062,415	(708,192)	(1,298,192)	2,360,607
Other financing sources, net	(132,681)	133,286	605	35,000	35,000	34,395
Excess(deficiency) of revenues over(under) expenditures and other financing sources(uses)	965,537	97,483	1,063,020	(673,192)	(1,263,192)	2,395,002
Balance beginning of year	1,071,400	(117,746)	953,654	909,622	909,622	44,032
Balance end of year	\$ 2,036,937	(20,263)	2,016,674	236,430	(353,570)	2,439,034

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2006, the District adopted one budget amendment which increased budget expenditures by \$590,000.

During the year ended June 30, 2006, expenditures in the non-instructional program function exceeded the amount budgeted. The District also exceeded its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION



EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total
<b>Assets</b>					
Cash and pooled investments	\$ 108,456	88,161	262,059	61,924	520,600
Receivables:					
Property tax:					
Current year delinquent	3,211	0	860	0	4,071
Succeeding year	290,000	0	342,572	0	632,572
Income surtax	0	0	140,367	0	140,367
<b>Total Assets</b>	<b>\$ 401,667</b>	<b>88,161</b>	<b>745,858</b>	<b>61,924</b>	<b>1,297,610</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Interfund payable	\$ 0	24	0	0	24
Accounts payable	0	0	5,445	0	5,445
Salary and benefits payable	662	0	0	0	662
Deferred revenue:					
Succeeding year property tax	290,000	0	342,572	0	632,572
Income surtax	0	0	140,367	0	140,367
Total liabilities	290,662	24	488,384	0	779,070
Fund balances:					
Unreserved	111,005	88,137	257,474	61,924	518,540
Total fund balances	111,005	88,137	257,474	61,924	518,540
<b>Liabilities and Fund Balances</b>	<b>\$ 401,667</b>	<b>88,161</b>	<b>745,858</b>	<b>61,924</b>	<b>1,297,610</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Expend- able Trust	Total
REVENUES:					
Local sources:					
Local tax	\$ 348,076	0	248,795	0	596,871
Other	6,515	173,683	0	12,448	192,646
State sources	157	0	42	0	199
TOTAL REVENUES	354,748	173,683	248,837	12,448	789,716
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	97,691	0	2,210	0	99,901
Other instruction	0	178,396	0	10,820	189,216
Support services:					
Instructional staff services	0	0	26,373	0	26,373
Administration services	90,937	0	27,994	0	118,931
Operation and maintenance of plant services	38,410	0	2,975	0	41,385
Student transportation	47,736	0	0	0	47,736
Non-instructional programs:					
Food service operations	9,449	0	0	0	9,449
Other expenditures					
Facilities acquisitions	0	0	101,263	0	101,263
TOTAL EXPENDITURES	284,223	178,396	160,815	10,820	634,254
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	70,525	(4,713)	88,022	1,628	155,462
OTHER FINANCING SOURCES(USES):					
Transfer in	0	10,000	0	0	10,000
Transfer out	0	0	0	(10,000)	(10,000)
TOTAL OTHER FINANCING SOURCES(USES)	0	10,000	0	(10,000)	0
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES(USES)	70,525	5,287	88,022	(8,372)	155,462
FUND BALANCES BEGINNING OF YEAR	40,480	82,850	169,452	70,296	363,078
FUND BALANCES END OF YEAR	\$ 111,005	88,137	257,474	61,924	518,540

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Activity Management	\$ 24,719	51,861	47,512	29,068
Uniform	4,859	0	1,341	3,518
Cross Country	706	316	394	628
Boys Basketball	1,054	2,182	1,530	1,706
Football	4,746	5,341	6,166	3,921
Baseball	(1,543)	2,302	2,198	(1,439)
Boys Track	1,013	1,046	1,849	210
Golf	854	47	579	322
Wrestling	1,224	1,500	1,674	1,050
Girls Basketball	1,132	6,803	7,047	888
Volleyball	770	4,420	3,631	1,559
Softball	4,476	7,104	8,103	3,477
Girls Track	1,088	681	1,046	723
Cheerleading	(212)	4,463	3,919	332
Interest	0	435	435	0
Class of 2006	1,074	93	1,167	0
Class of 2007	1,066	6,944	7,030	980
National Honor Society	727	0	0	727
HS Student Council	854	1,925	2,031	748
EEAC Student Council	4	0	0	4
E-B MS Tag	271	698	805	164
E-B Jr High Student Council	4,628	4,033	2,504	6,157
BAC 7/8 Activity	3,137	18,550	18,543	3,144
BAC Elementary	469	74	40	503
FFA	2,794	25,848	24,505	4,137
Spanish Club	6,725	0	0	6,725
Thespian Club	906	2,079	2,007	978
Jr Red Cross	402	1,124	1,102	424
Tri M Society	189	90	277	2
Drama/Play	1,862	1,487	832	2,517
FFA CD	4,164	0	0	4,164
Yearbook	5,640	7,161	3,016	9,785
Concessions	2,689	24,879	26,878	690
Family Career	0	141	96	45
MS Band Fundraiser	(536)	0	0	(536)
MS Drama	9	0	0	9
Future Business Leaders	890	56	139	807
Total	\$ 82,850	183,683	178,396	88,137

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2006

	Beginning			Ending
	Balance	Increases	Decreases	Balance
<b>BAC Faculty</b>				
Assets:				
Cash and other investments	\$ 1,128	723	593	1,258
Liabilities:				
Due to other groups	\$ 1,128	723	593	1,258
<b>E-B HS Faculty</b>				
Assets:				
Cash and other investments	\$ 546	468	96	918
Liabilities:				
Due to other groups	\$ 546	468	96	918
<b>Total</b>				
Assets:				
Cash and other investments	\$ 1,674	1,191	689	2,176
Liabilities:				
Due to other groups	\$ 1,674	1,191	689	2,176

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 4,160,233	3,816,851	3,164,785	3,903,008
Tuition	1,091,012	585,509	638,838	608,573
Other	300,615	567,934	404,322	606,587
Intermediate sources	0	0	0	655
State sources	2,900,185	2,856,947	2,691,921	2,449,382
Federal sources	266,667	280,788	312,395	348,932
Total	<u>\$ 8,718,712</u>	<u>8,108,029</u>	<u>7,212,261</u>	<u>7,917,137</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 3,325,982	3,510,809	3,074,981	2,794,033
Special instruction	945,318	955,630	871,201	869,522
Other instruction	661,387	489,972	555,274	704,389
Support services:				
Student services	37,448	67,230	165,055	163,674
Instructional staff services	173,734	122,397	219,814	254,490
Administration services	886,521	778,248	780,750	711,435
Operation and maintenance of plant services	668,700	647,461	671,715	635,125
Transportation services	584,158	551,283	476,909	486,649
Non-instructional programs	9,449	25,860	24,508	5,126
Other expenditures:				
Facilities acquisitions	101,263	364,123	295,160	857,128
Long-term debt:				
Principal	0	0	0	210,000
Interest	0	0	0	9,690
AEA flow-through	226,534	215,713	218,241	246,938
Total	<u>\$ 7,620,494</u>	<u>7,728,726</u>	<u>7,353,608</u>	<u>7,948,199</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the  
Eddyville-Blakesburg Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eddyville-Blakesburg Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eddyville-Blakesburg Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 and I-G-06 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eddyville-Blakesburg Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and , non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Eddyville-Blakesburg Community School District and other parties to Eddyville-Blakesburg Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eddyville-Blakesburg Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

November 28, 2006

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review our system and try to segregate duties.

Conclusion - Response accepted.

- I-B-06 Capital Asset Policy - We noted during our audit that the District had not implemented a capital asset policy that states the capitalization thresholds to be used for the accounting of the capital assets.

Recommendation - The District should review the policies in place and update the necessary capital asset policies.

Response - We have complied with the recommendation and approved a new capital asset policy.

Conclusion - Response accepted.

- I-C-06 Sharing Agreement - We noted during our audit that the District has a 28E Agreement with Fremont CSD for student sharing as well as, technology, art and administration. We noted that the District has not received payment for the third and fourth quarters for the 2006 school year.

Recommendation - The District should review the sharing agreement and have an agreed upon time frame for collections of monies.

Response - We have a payment schedule in place. Payments are made consistently.

Conclusion - Response accepted.

- I-D-06 Self-Funded Health Insurance Fund - We noted during our audit that the District's activity in the Internal Service Fund has increased from the prior year. Part of the requirements of being self-funded is the filing of a 509A Certificate of Compliance with the State of Iowa. In addition, the District may need to obtain an actuarial opinion of the Self-Funded Health Insurance Fund.



Recommendation - The District should consult with the state of Iowa Insurance Commission to determine specific filing requirements for your plan.

Response - We are in contact with legal council.

Conclusion - Response accepted.

- I-E-06 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - We have completely reworded our coding to match the expenditures and revenues according to the UFA.

Conclusion - Response accepted.

- I-F-06 Check Signatures - It was noted that a check cleared the bank that had only one signature.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District in compliance with Chapter 291.1 of the Code of Iowa.

Response - All checks are signed with two signatures. This was an oversight.

Conclusion - Response accepted.

- I-G-06 Signature Stamps - We noted during the audit, an office employee had use of both the Board President and Board Secretary's signature stamps. Checks were being stamped by this employee with both signature stamps without review of the checks by an independent second individual.

Recommendation - In order to achieve better internal controls, two separately affixed signatures should be required on all checks. The Board Secretary should maintain control of his/her signature stamp and stamp the checks as they are prepared. The Board President signature should be used by the Board President or someone other than the Board Secretary who may affix his/her signature. Whoever has control over the Board President's stamp would act as a review of the checks before they are sent out.

When preparing Student Activity and Nutrition fund checks, the person preparing the checks could affix the Board Presidents signature and then the Board Secretary would act as the second independent review of the check.

Response - We will monitor this more closely.

Conclusion - Response accepted.

EDDYVILLE-BLAKESBURG COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2006 exceeded the amount budgeted in the non-instruction program function. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2006.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget. The District should contact the Iowa Department of Education and School Budget Review Committee to resolve the deficit unspent authorized budget issue.

Response - We are closely monitoring expenditures

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deb Bar, Board Member Servicing agent at Insurance Associates	Worker's Compensation insurance	\$40,612

Recommendation - The District should consult legal council to determine if the transactions with Deb Bar represent a conflict of interest to the District.

Response - We are working with legal council.

Conclusion - Response accepted.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - Minutes are currently being published in a timely manner.

Conclusion - Response accepted.

II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was not properly certified to the Iowa Department of Education by October 13, 2006.

Recommendation - In the future, the District should ensure the Certified Annual Report is timely certified to the Iowa Department of Education.

Response - The CAR report was re-opened by the state to adjust for audit finding. Originally the report was filed on time. We will continue to see that it is filed timely.

Conclusion - Response accepted.

II-J-06 Financial Condition - The District had deficit net assets of \$172,367 in the Enterprise - Child Care Fund and \$2,882 in the Enterprise - School Nutrition Fund at June 30, 2006. The District also had negative accounts within the Special Revenue, Student Activity Fund.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficit.

Response - We are working on alternatives to eliminate the deficits.

Conclusion - Response accepted.